

## Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13

ISO-00 AGR-01 L-03 FRB-03 OMB-01 ITC-01 SP-02

AID-05 CIAE-00 COME-00 INR-10 LAB-04 NSAE-00

OIC-02 SIL-01 OPIC-03 STR-07 TRSE-00 CEA-01 SS-15

DODE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 /133 R

DRAFTED BY EB/ORF/ICD:GAGOWEN:MBL

APPROVED BY EB/ICD:EAWENDT

IO/IEP:FMCELDOWNEY (DRAFT)

TREASURY:BBENTON (DRAFT)

COMMERCE:FSIESSEGER (DRAFT)

-----019465 092304Z /45

O R 092229Z AUG 78

FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION USUN NEW YORK

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USEEC, USOECD

E.O. 11652: N/A

TAGS: ETRD, PORG, UNCTAD

SUBJECT: COMMON FUND: GUIDANCE FOR INFORMAL CONSULTATIONS

REFS: A) STATE 197685; B) GENEVA 11919; C) ANGEVINE/

BRUNGART TELECON

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1. THIS MESSAGE PROVIDES GUIDANCE FOR THE MISSION'S  
USE ON SUBSTANTIVE ISSUES THAT MAY BE DISCUSSED AT THE  
AUGUST 10 MEETING OF GROUP B REPRESENTATIVES IN PREPARATION  
FOR AUGUST 18 INFORMAL MEETING WITH GROUP B AND LDC REPRESENTATIVES ON THE COMMON FUND.

2. PREVIOUS INFORMAL MEETINGS IN GENEVA AND ELSEWHERE

OVER THE PAST SEVERAL MONTHS HAVE HELPED TO ACHIEVE SOME  
NARROWING OF DIFFERENCES BETWEEN GROUP B AND THE GROUP OF  
77. IMPORTANT SUBSTANTIVE DIFFERENCES PERSIST, HOWEVER,  
ON CRUCIAL ISSUES. THESE DIFFERENCES WILL HAVE TO BE  
RESOLVED BEFORE A FINAL COMMON FUND ACCORD CAN BE REACHED.  
THE U.S. IS PREPARED TO EXAMINE THESE ISSUES AT LENGTH,  
WITH A VIEW TOWARD REDUCING THE AREAS OF DISAGREEMENT.  
PROSPECTS FOR EVENTUAL SUCCESS ARE NOT GOOD, HOWEVER,  
UNLESS THE G-77 IS ALSO PREPARED TO CONSIDER MOVING AWAY  
FROM ITS ESTABLISHED POSITIONS TOWARDS A COMPROMISE.

3. THE U.S. WILL TAKE PART IN THE CONSULTATIONS SCHEDULED  
FOR AUGUST 18 FOR THE PURPOSE OF REACHING AGREEMENT  
ON AN OUTLINE OF THE REMAINING MAJOR POINTS AT ISSUE  
WHICH NEED TO BE CONSIDERED FURTHER TO LAY THE BASIS FOR  
A RESUMPTION OF THE NEGOTIATING CONFERENCE. THIS OUTLINE  
COULD THEN BE TAKEN UP IN THE HIGHER LEVEL CONSULTATIONS  
WHICH UNCTAD SYG COREA PLANS TO CONVENE IN SEPTEMBER.

4. THE MISSION SHOULD RESIST EFFORTS TO ADOPT COREA'S  
"DISCUSSION NOTE" OF JUNE AS THE BASIS FOR DISCUSSION  
DURING THE AUGUST 18 MEETING OR LATER. IN PARTICULAR, WE  
ARE OPPOSED TO THE SUGGESTION THAT THIS MEETING UNDERTAKE  
A LINE-BY-LINE REVIEW OF THE COREA DRAFT. AS WE HAVE  
NOTED IN THE PAST, THIS PAPER, ALTHOUGH REFERRED TO AS A  
"COMPROMISE", STILL CONTAINS ALL THE ONEROUS ELEMENTS OF  
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THE ORIGINAL G-77 PROPOSAL IN SCALED DOWN FORM, WHICH  
REMAIN UNACCEPTABLE TO US AND TO OTHERS IN GROUP B.

5. THE MISSION SHOULD DRAW ON THE OUTLINE BELOW IN AN  
EFFORT TO FOCUS THE DISCUSSIONS ON THE SUBSTANTIVE ISSUES  
WHICH WILL NEED CLARIFICATION BEFORE NEGOTIATIONS CAN  
BE RESUMED.

A. FIRST WINDOW (BUFFER STOCK FINANCING):

(1) CAPITAL STRUCTURE:

-- FORM AND MAGNITUDE OF THE RESOURCES COMPRISING  
THE FUND'S CAPITAL STRUCTURE;

-- OPTIMAL RATIO OF ICA CASH DEPOSITS TO CREDITS;

-- BORROWING COSTS TO ICAS AND INTEREST TO BE PAID ON  
ICA DEPOSITS.

(2) TERMS OF REFERENCE:

-- CRITERIA FOR DETERMINING NATURE OF STOCKING  
MEASURES TO BE FINANCED THROUGH THE FIRST WINDOW;

-- PRINCIPLE THAT STOCKING MEASURES SHOULD AIM AT  
PRICE STABILIZATION AROUND THE LONG-TERM MARKET TREND;

-- EXCLUSION OF CF FROM DIRECT INVOLVEMENT IN MARKETS;

-- AUTONOMY OF ICAS.

B. ROLE OF CF IN OTHER MEASURES:

(1) NEED FOR THE COMMON FUND TO HAVE ROLE IN FINANCING  
COMMODITY MEASURES OTHER THAN BUFFER STOCKS;  
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C. VOTING AND DECISION-MAKING:

(1) MEMBERSHIP;

(2) RANGE AND KINDS OF DECISIONS WHICH THE COMMON FUND  
WILL NEED TO MAKE;

(3) CRITERIA TO BE USED IN CALCULATING AND ASSIGNING  
VOTING WEIGHTS;

(4) NATURE OF DECISION-MAKING PROCESS (I.E.: EXTENT TO  
WHICH QUALIFIED OR DISTRIBUTED MAJORITIES SHOULD BE  
EMPLOYED). VANCE

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## Message Attributes

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**To:** GENEVA  
**Type:** TE  
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